



## **CITY OF DURHAM | NORTH CAROLINA**

**Date:** October 16, 2012

**To:** Thomas J. Bonfield, City Manager  
**Through:** Keith Chadwell, Deputy City Manager  
**From:** Reginald J. Johnson, Interim Director  
Department of Community Development  
**Subject:** General Fund Grant Agreement and Amendment to  
HOME CHDO Grant Agreement between the City of  
Durham and Builders of Hope, Inc.

### **Executive Summary**

On June 9, 2011, City Council authorized the City Manager to execute a HOME Community Housing Development Organization (CHDO) Grant Agreement and other related documents in the amount of \$180,000.00 with Builders of Hope, Inc. (BOH) to assist with the rehabilitation of ten (10) properties located at 1010, 1013, 1015, 1017, 1019, 1100, 1101, 1102, 1103 and 1104 Rock Street, and two (2) properties located at 1111 and 1113 Rosedale Avenue in Southwest Central Durham. Due to unforeseen conditions of these properties as expressed below, BOH is requesting that the original HOME CHDO Grant Agreement be amended so that the remaining balance of the agreement in the amount of \$152, 471.45 be used solely for the rehab of the two Rosedale properties, which BOH will continue to own and manage as rental units for low-mod income qualified persons.

As part of the FY 12-13 Annual Action Plan, BOH was awarded up to \$75,000 in City of Durham general funds to complete the Rock Street and the Rosedale properties. To make the final disposition of the Rock Street properties complete, BOH will use this funding for such pre-development costs as lead paint and asbestos testing and or remediation, demolition, house raising and site work.

**Recommendation**

The Department of Community Development recommends that City Council authorize the expenditure of up to \$75,000.00 in general funds to reimburse BOH for pre-development costs, and authorize the City Manager to execute the General Fund Grant Agreement; and to authorize the City manager to execute an Amendment to the HOME CHDO Grant Agreement and related documents with Builders of Hope, Inc. to extend the term of the Agreement and use the available HOME funds entirely for the rehabilitation of the Rosedale properties.

**Background**

Under the original agreement, 1013 and 1015 Rock Street have been almost entirely rehabilitated and will be available as affordable rental units and the rehabilitation of 1102 Rock Street has been completed and the property has been sold to an owner occupant. The properties located at 1010, 1100 and 1104 Rock Street were to have been rehabilitated as well, but they were severely deteriorated and had to be razed. The now vacant lot at 1100 Rock Street is a corner lot and due to the setback requirements of the City Zoning ordinance, it would be infeasible to rebuild on this parcel. BOH will remain the owner of this parcel, or they may donate it to the adjacent neighboring parcels. BOH has secured a commitment for construction financing from a traditional lender for 1010 and 1104 Rock Street. Each of these lots will be improved with a new energy efficient home and sold to an owner occupant.

The remaining four properties at 1017, 1019, 1101 and 1103 Rock Street will need to be razed as they too are severely deteriorated, and not able to be rehabilitated. There is also a stream that runs behind these properties that would preclude rebuilding on these lots, due to the stream buffer setbacks. The severity of the deterioration was not visible at the time of acquisition and therefore could not be determined until much of the structures were demolished.

The outcome of the original 12 structures to be rehabilitated is that one has been rehabilitated and sold, two others have been 95% rehabbed and will be rentals units, two others will be totally rehabilitated for rental and there will be two new homes built for sale to an owner occupant. The remaining five lots that have been determined to be unbuildable will continue to be owned and maintained by BOH, or donated to a non-profit organization for use as a community garden or park.

**Issues/Analysis**

The revitalization of Durham's central city neighborhoods was a specific priority of the Five-Year Consolidated Plan. At the time that DCD recommended funding for the acquisition of the Rock Street properties, and a subsequent funding recommendation for rehabilitation, DCD was assured by BOH that they had access to the additional resources necessary to finance the rehabilitation of these units and make this a feasible project. It was discovered after acquisition and demolition had begun, that many of the existing structures were not going to be able to be saved. Due to the advanced deterioration that was not apparent prior to demolition activities, BOH found that they had no choice but to raze 3 of the single family homes and 4 of the "shotgun" style dwellings. Because the properties had to be razed, as opposed to being rehabilitated, current zoning setback requirements will not allow reconstruction on 5 of the aforementioned 7 lots. BOH has now requested that the balance of the CHDO Grant Agreement be used solely for the rehabilitation of the 2 Rosedale Avenue properties, which will be made available for rental and for which conventional financing is unavailable. BOH does have a firm commitment from a traditional lender for the construction financing of the new houses to be built at 1010 and 1104 Rock Street. With the reallocation of the remaining balance of the existing Grant, and the addition of General Fund monies, the workout plan for completing this project can be accomplished. BOH's rehabilitation of these properties and new construction will complement the new construction on Rock Street as well as add additional, good quality rental units for low-mod income families and will positively impact the revitalization of the neighborhood.

**Alternatives**

The City Council may elect to not provide funding for this project. It should be noted however, that there are no alternative funding sources for pre-development costs or construction/permanent financing to make conversion of the Rosedale properties to rental units economically feasible. DCD's recommendation to reallocate funds from the existing contract would enable this unfinished project to be completed

**Financial Impacts**

HOME funds of \$152,471.45 are remaining and available from the original FY 10-11 allocation of \$180,000.00 is budgeted and available for this project. The Annual Action Plan was approved by Council which included the allocation of up to \$75,000.00 to be used by BOH to complete these outstanding projects of inventoried properties.

**SDBE Summary**

BOH shall comply with all applicable provisions of Chapter 26 of the Durham City Code (Equal Business Opportunities Ordinance), as amended from time to time, as they apply. The failure of BOH to comply with that chapter shall be a material breach of contract which may result in the rescission or termination of this contract and/or other appropriate remedies in accordance with the provisions of that chapter, this contract, and State law.